

Lockheed Martin Energy Systems
Benefit Plans Administration
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January 24, 2000

Dear Savings Plan Participant:

Congress and the Internal Revenue Service have made public the new changes in amounts and limits as they relate to our Savings Program and Pension Plan. We would like to review the status of several items and their impact on the coming year.

Definition of Highly Compensated.

An employee of Lockheed Martin Energy Systems, Inc. or Lockheed Martin Energy Research Corporation, is considered a "highly compensated employee" (HCE) for 2000 if their gross compensation for 1999 was equal to or greater than \$80,000.00. This determination is made by the payroll system and is reflected in the payroll and savings plan records after the final compensation tapes are prepared at year-end. This is an increase from the dollar limit in the definition that was used for 1999.

Maximum Allowable Compensation for Calculation of Contributions to the Savings Program.

The annual limit for 1999 has been set at \$170,000.00.

Limit on Employee Contributions to a 401(k) Plan (pre-tax.)

The annual limit for employee contributions to a 401(k) savings plan (a pre-tax plan) increase to \$10,500.00. For those participants whose elections will cause them to exceed the annual limit, the payroll system will automatically recharacterize the contributions in excess of \$10,500.00 as after-tax contributions. Remember that a change from pre-tax to after-tax will increase taxable income and will cause the income taxes withheld to be higher.

Maximum Annual Additions to the Savings Program.

The total of employee contributions and matching employer contributions for both pre-tax and after-tax contributions remains limited to \$30,000.00 per year. Contributions in excess of the limit will be refunded.

Maximum Allowable Contribution Percentage

The maximum allowable percentage (for both pre-tax and after-tax) remains at 15% of eligible earnings. This restriction is implemented by State Street Bank as the participant either makes or changes their contribution percentages.

Company Matching Contributions.

The company matching percentage remains at 100% of the first two percent and 50% of the next four percent. This provides for a company match of 4% of pay for those participants electing to contribute 6% of pay.

Restrictions on Highly Compensated Employees to Insure Passing the ADP/ACP Tests.

The IRS requires that contributions of HCE's be restricted if necessary to pass the Actual Deferral Percentage (ADP) and Actual Contribution Percentage (ACP) tests. As of this letter, the Company is projected to pass the tests at year-end without having to restrict HCEs' contributions. If the year-end results indicate that an adjustment is in order, it

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will be necessary to refund the excess contributions. This will affect the taxable income of HCE's that have contributions refunded. The HCE's should consider delaying the completion of their 1999 tax returns until notified by the Plan. State Street Bank estimates that we will have final test results and will be able to notify our participants no later than February 15, 2000.

Based on our current projections, there will be no initial restrictions on the HCE contributions for 2000. All participants may elect to contribute the maximum limit of 15%. To determine your current election or to make a change, please call State Street Bank at 1-888-ISAVEIT (1-888-472-8348). Tests will be conducted at mid-year in 2000 to determine if restrictions on HCE contributions should be imposed.

We highly encourage you to view the Savings Plan Home Page at <http://www.ornl.gov/benefits/benhome.htm>. This site has valuable information regarding fund performance, links to the home pages of the publicly traded mutual funds that are included in our investment options, a quarterly newsletter about the Program and the full text and slides of our Savings Program education courses.

Should you have any questions about these or other Savings Plan matters, please call:

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or send an E-mail to ik5@ornl.gov

Sincerely yours,

N.E. Sparks, Director
Employee Benefits